

**STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION**

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Illinois Commerce Commission	:	
On Its Own Motion	:	
Implementation of the Federal	:	03-0593
Communications Commission's	:	
Triennial Review Order with respect to	:	
a Batch Cut Migration Process	:	

**SURREBUTTAL TESTIMONY OF  
STEVEN E. TURNER  
ON BEHALF OF  
AT&T COMMUNICATIONS OF ILLINOIS, INC.,  
MCLEODUSA TELECOMMUNICATIONS SERVICES, INC.,  
TCG CHICAGO AND TCG ILLINOIS**

**OFFICIAL FILE**  
I.C.C. DOCKET NO. 03-0593  
ATT/Mcleod Exhibit No. 1.1  
Witness Turner  
Date 3/2/04 Reporter CLC

**AT&T/McLEODUSA  
Joint EXHIBIT 1.1**

**FEBRUARY 27, 2004**

**\*\*\* PUBLIC \*\*\***

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1 **I. INTRODUCTION OF WITNESS**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 **A.** My name is Steven E. Turner. My business address is Kaleo Consulting, 2031 Gold Leaf  
4 Parkway, Canton, Georgia 30114.

5 **Q. ARE YOU THE SAME STEVEN E. TURNER THAT FILED REBUTTAL**  
6 **TESTIMONY IN THIS DOCKET ON FEBRUARY 16, 2004?**

7 **A.** Yes.

8 **II. OVERVIEW AND SUMMARY OF TESTIMONY**

9 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

10 **A.** AT&T Communications of Illinois, Inc., TCG Illinois, TCG Chicago and McLeodUSA  
11 Telecommunications Services, Inc. have asked me to respond to the rebuttal testimonies  
12 of Ms. Carol A. Chapman and Mr. Dale A. Lundy on behalf of SBC Illinois. These two  
13 witnesses, and Ms. Chapman in particular, address non-cost issues that are outside of the  
14 scope of my rebuttal testimony. My surrebuttal testimony will focus only on the aspects  
15 of these SBC witnesses' testimony that address cost issues.

16 In particular, I will address Ms. Chapman and Mr. Lundy's contention that the  
17 FCC *Triennial Review Order* (TRO) provided no guidance on whether the hot cut costs  
18 established in this proceeding should be lower than the currently established  
19 nonrecurring Line Connection Charge in effect in Illinois. I addressed this issue in my  
20 rebuttal testimony, but believe it merits further discussion in light of Ms. Chapman and  
21 Mr. Lundy's erroneous assertions in their rebuttal testimony.

22           Second, Mr. Lundy addresses the question of whether cost issues raised by SBC's  
23           BHC Cost Study in this docket are duplicative of issues being addressed in Docket No.  
24           02-0864. He concludes that with the limited exceptions of labor rates and common costs  
25           no overlap exists. Mr. Lundy is mistaken. Again, my rebuttal testimony addressed this  
26           question and explained that there is significant duplication of cost issues in both dockets.  
27           Below, I summarize the areas, in addition to labor rates and common cost, that overlap  
28           with the issues being addressed in Docket No. 02-0864.

29           Third, I address the fact that SBC's ever-changing BHC cost studies cannot be  
30           relied upon by the Commission. Over the last few weeks SBC has twice updated its hot  
31           cut cost studies, without any explanation of the reason for some of the changes.  
32           Obviously, it is difficult for me to even attempt to respond to a cost study that is subject  
33           to so many changes in such a short time and for which SBC does not provide complete  
34           explanations. But the larger point is that the cost study that SBC submitted in this state  
35           (and in many others) is simply not stable, and certainly was not properly scrutinized  
36           before SBC filed it in accordance with the aggressive timelines required by the TRO.

37           Fourth, I address whether my recommendations and proposed costs and rates for  
38           the Batch Hot Cut Cost Study submitted in my rebuttal testimony of February 16, 2004  
39           are still appropriate in light of SBC Illinois' numerous modifications. I conclude that my  
40           prior filing is still appropriate because SBC Illinois' modifications largely respond to the  
41           criticisms of its studies that I have made in this case and in other jurisdictions. As such,  
42           I find no reason to modify my prior recommendations, although some of the differences  
43           that I identified in my rebuttal testimony no longer exist due to SBC Illinois'

incorporation of my proposals. That said, SBC Illinois' BHC Cost Study still substantially overstates the costs for Batch Hot Cuts and should be rejected by this Commission. The Commission should instead adopt either my recommended discount (50%) or my revisions to SBC's batch hot cut studies.

**Q. IN YOUR REBUTTAL TESTIMONY YOU PRESENTED A TABLE COMPARING SBC ILLINOIS' PROPOSED BATCH HOT CUT RATES TO THE CURRENT LINE CONNECTION CHARGE. IN LIGHT OF SBC ILLINOIS' CHANGES TO ITS COST STUDY, COULD YOU PLEASE UPDATE THAT TABLE?**

**A.** Yes. This table reflects SBC Illinois' February 16, 2004 Batch Hot Cut cost study. Even with the modifications made by SBC Illinois, it still proposes many batch hot cut nonrecurring charges that are higher than the Commission's currently approved individual loop connection charge of \$20.21. The table below summarizes the rates that SBC Illinois has proposed in its rebuttal testimony and provides the increase from the current loop connection charge for each rate.

Rate Elements	SBC Proposed Rate	Minimum % Overstatement
<b>Enhance Daily Rates</b>		
Enhanced Daily FDT Basic	\$29.84	47.65%
Enhanced Daily CHC Basic	\$33.92	67.84%
Enhanced Daily IDLC Basic	\$89.31	341.91%
<b>Defined Batch Rates</b>		
Defined FDT Basic	\$25.28	25.09%
Defined CHC Basic	\$26.64	31.82%
Defined FDT Expanded	\$25.62	26.77%
Defined CHC Expanded	\$26.92	33.20%
Defined IDLC Basic	\$88.65	338.64%
<b>Bulk Batch Rates</b>		
Bulk FDT Basic	\$25.21	24.74%
Bulk CHC Basic	\$26.57	31.47%
Bulk FDT Expanded	\$25.54	26.37%

Bulk CHC Expanded	\$26.86	32.90%
Bulk FDT Premium	\$27.68	36.96%
Bulk CHC Premium	\$29.30	44.98%
Bulk IDLC Basic	\$88.65	338.64%
<b>Current Line Connection Charge</b>	<b>\$20.21</b>	<b>0.00%</b>

As I stated in my rebuttal testimony, these increases continue to be completely at odds with the purpose of this docket: to attempt to alleviate CLEC impairment that is created by the rates and inefficiencies associated with the current hot cut process.

**Q. DO ALL OF THE REVISED HOT CUT RATES IDENTIFIED ABOVE REFLECT COST REDUCTIONS FROM THE RATES PROPOSED BY SBC EARLIER IN THIS CASE?**

**A.** No. The costs and rates generally decreased in every category except for IDLC, for which SBC Illinois' proposed costs and rates actually increased. As I explained in my rebuttal testimony, the cost study submitted by SBC Illinois does not provide an appropriate basis for developing the cost of a Batch Hot Cut for an IDLC-served loop. As such, SBC Illinois' further proposed increase to its IDLC hot cut rates only confirms my prior recommendation that SBC's cost studies do not provide an appropriate forward-looking cost for IDLC-served Batch Hot Cuts.

**III. SBC ILLINOIS' CONTENTION THAT THE TRO DID NOT ANTICIPATE RATE REDUCTIONS FOR HOT CUTS IS WITHOUT MERIT**

**Q. MS. CHAPMAN<sup>1</sup> AND MR. LUNDY<sup>2</sup> BOTH CONTEND THAT THERE IS NO BASIS IN THE TRO FOR THE CONCLUSION THAT THE RATES FOR**

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<sup>1</sup> Before the Illinois Commerce Commission, Docket No. 03-0593, Direct Testimony of Carol A. Chapman on behalf of SBC Illinois, SBC Illinois Exhibit 1.1, February 16, 2004, p. 69 (hereafter referred to as "Chapman Rebuttal Testimony").

**BATCH HOT CUTS WOULD BE LOWER THAN THE CURRENT LINE  
CONNECTION CHARGE IN ILLINOIS. COULD YOU PLEASE COMMENT?**

A. Their contention is baseless. *First*, as was noted in my rebuttal testimony as well as in the direct testimony of Commission Staff witness Mr. Hanson, the FCC made it very clear that the batch hot cut proceedings were intended to produce nonrecurring batch hot cut charges that are lower than the current nonrecurring charges. Specifically, the FCC noted that state commissions should approve “a batch hot cut migration process” that mitigates CLEC impairment associated with hot cuts, and provides a “low-cost process” for transferring “large volumes” of customers at a “reduced” rate.<sup>3</sup> A reduced rate would only make sense in the context of what the current Line Connection Charge is in Illinois, \$20.21. Further, Ms. Chapman and Mr. Lundy’s testimony directly conflicts with guidelines within the TRO that explicitly direct state commissions to adopt BHC rates that “reflect the efficiencies associated with batched migration of loops” in one of two ways: “either through a *reduced* per-line [loop nonrecurring] rate or through volume discounts as appropriate.”<sup>4</sup> In other words, SBC Illinois should have provided this Commission with BHC nonrecurring rates that are lower than the Commission-approved rates associated with stand-alone loops, by providing a “reduced per-line rate” or “volume discounts” off of the current rate.

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<sup>2</sup> Before the Illinois Commerce Commission, Docket No. 03-0593, Direct Testimony of Dale A. Lundy on behalf of SBC Illinois, SBC Illinois Exhibit 4.1, February 16, 2004, p. 5 (hereafter referred to as “Lundy Rebuttal Testimony”).

<sup>3</sup> See *Triennial Review Order*, ¶ 422; 47 C.F.R. § 51.319(d)(2)(ii)(A)(4).

<sup>4</sup> 47 C.F.R. § 51.319(d)(2)(ii)(B). Emphasis added.

94 **Q. MS. CHAPMAN CONTENDS THAT ALL THAT THE FCC'S TRO REQUIRES**  
95 **IS THAT THE COSTS FOR THE BATCH HOT CUT BE BASED ON TELRIC**  
96 **PRINCIPLES.<sup>5</sup> DO YOU AGREE WITH THIS?**

97 **A.** Clearly, based on the testimony that I have provided above, there is more that the FCC  
98 has said about the cost for Batch Hot Cuts than just that they be based on TELRIC  
99 principles. The FCC anticipated that on a TELRIC basis the cost for Batch Hot Cuts  
100 would be lower than the current rates associated with hot cuts, such as the Illinois Line  
101 Connection Charge. The FCC correctly found that such individual loop nonrecurring  
102 charges would not reflect any economies of performing work in a batch environment  
103 and, as I will point out more fully below, include more expensive hot cut scenarios that  
104 are not included in a Batch Hot Cut. SBC's testimony is based on the premise that this  
105 Commission got it wrong with its previously ordered Line Connection Charge, and that  
106 its batch hot cut rates should be even higher than this charge.

107 **Q. IS IT YOUR UNDERSTANDING THAT THIS COMMISSION USED TELRIC**  
108 **PRINCIPLES TO ESTABLISH THE LINE CONNECTION CHARGE OF \$20.21?**

109 **A.** Yes. Therefore, the only logical result per the FCC's guidelines in the TRO is that the  
110 Batch Hot Cut rates should be lower than the current standalone rates. Staff witness Mr.  
111 Hanson agrees. It is a straightforward conclusion based on the content of the TRO.

112 **Q. YOU INDICATED ABOVE THAT THERE ARE INHERENT STRUCTURAL**  
113 **REASONS WHY THE BATCH HOT CUT CHARGE SHOULD BE LOWER**  
114 **THAN THE LINE CONNECTION CHARGE. COULD YOU PLEASE ADDRESS**  
115 **THIS MORE FULLY?**

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<sup>5</sup> Chapman Rebuttal Testimony, p. 69.



116 A. Yes. Batch Hot Cuts *always* apply to the migration of working service to a CLEC's  
117 switch. As such, the SBC retail loop that is being migrated is already working and, in  
118 order to "cut" it to a CLEC, SBC technicians must conduct work within the central  
119 office.<sup>6</sup> The Line Connection Charge is not limited to such migrations. The Line  
120 Connection Charge is a nonrecurring charge element that accounts for migrations, new  
121 installs of stand-alone loops, and new installs of UNE-P loops. In other words, at least  
122 some percentage of the time, the nonrecurring cost that is incorporated into the Line  
123 Connection Charge reflects the provisioning of *new* loops that requires more work than  
124 just the provision of wiring within the central office. As such, beyond the terms of the  
125 TRO, there is structural justification for the assumption that batch hot cut rates should be  
126 lower than the Commission-approved line connection charge.

127 Q. MR. LUNDY POINTS OUT SOME EXAMPLES – PARTICULARLY ONE  
128 FROM MINNESOTA – WHERE A DISCOUNT FOR A BATCH HOT CUT  
129 WOULD NOT NECESSARILY MAKE SENSE.<sup>7</sup> DO YOU HAVE ANY  
130 COMMENT ON THIS PORTION OF HIS TESTIMONY?

131 A. I do not know the basis of the \$2.00 nonrecurring charge for loops in Minnesota. I  
132 believe that part of the basis for this nonrecurring charge is that the Minnesota  
133 Commission utilized the AT&T/MCI Nonrecurring Cost Model which assumed a large  
134 proportion of the work would be automated.

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<sup>6</sup> Please note that this sentence presumes my position regarding IDLC as discussed in my rebuttal testimony. Given that the majority of loops in SBC Illinois' existing network are not served on IDLC, this presumption on my part is almost always true regardless of whether the Commission adopts my recommendations regarding IDLC loops or not.

<sup>7</sup> Lundy Rebuttal Testimony, p. 6.

That said, we are in Illinois, not Minnesota. And in Illinois we *know* the basis of the Commission-ordered Line Connection Charge of \$20.21. Given that SBC Illinois' proposed batch hot cut nonrecurring rates do not comply with the FCC directive from the TRO right from the start, the Commission should instead utilize the nonrecurring batch hot cut rates or percentage discount that I proposed in my rebuttal testimony. There is no basis in the TRO or in fact to rely upon the Batch Hot Cut cost study proposed by SBC Illinois in this proceeding.

**IV. INTERPLAY BETWEEN DOCKET NOS. 02-0864 AND 03-0593**

**Q. MR. LUNDY INDICATES THAT HE DOES NOT BELIEVE THERE IS ANY OVERLAP BETWEEN DOCKET NOS. 02-0864 AND 03-0593 EXCEPT FOR LABOR RATES AND THE SHARED AND COMMON COST FACTOR." DO YOU AGREE WITH HIS ASSERTION?**

**A.** No. There are numerous other issues that are raised in both dockets other than labor rates and the shared and common cost factor. As I noted in my rebuttal testimony, Docket Nos. 02-0864 and 03-0593 both address the costs for the migration of existing working loops. Virtually all of the tasks that are identified in this docket for items such as the time to evaluate orders, perform cross-connects on frames, travel to unmanned central offices, close out orders and perform testing on cross-connects, as well as the flow through available on service orders, are being litigated in both Docket Nos. 02-0864 and 03-0593. I have provided this Commission with consistent labor times and probabilities of occurrence recommendations in both dockets. However, given that the issues are being addressed in both dockets, SBC's approach raises a likelihood that

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<sup>8</sup> Lundy Rebuttal Testimony, p. 8 *et al.*

157 inconsistent recommendations could result from the two dockets. The bottom line is that  
158 Mr. Lundy is simply wrong regarding the level of overlap between these two  
159 proceedings. While the amount of testimony in 02-0864 is voluminous, a comparison of  
160 my recommendations in Docket No. 02-0864 and in this docket affirm the simple fact  
161 that an abundance of issues are in play in both dockets.

162 **V. SPECIFIC REVIEW OF SBC ILLINOIS' REVISED BATCH HOT CUT**  
163 **STUDIES**

164 **Q. HAVE YOU REVIEWED THE MODIFICATIONS THAT MR. LUNDY MADE**  
165 **TO THE BATCH HOT CUT COST STUDY IN HIS FEBRUARY 16, 2004**  
166 **SUBMISSION?**

167 **A.** Yes.

168 **Q. BASED ON YOUR REVIEW, DO YOU HAVE ANY COMMENTS ON CHANGES**  
169 **OF WHICH YOU BELIEVE THIS COMMISSION SHOULD BE**  
170 **PARTICULARLY AWARE?**

171 **A.** Yes. *First*, SBC Illinois has modified the additional time for the "Retrieve *order* and  
172 verify *service order* and facility assignments are correct (pre-due date)."<sup>9</sup> Please note  
173 that the focus of this task is on the *order* – not on individual loops. Previously, SBC  
174 Illinois had noted that the additional time for the LOC (Local Operations Center) to  
175 perform this task was \*\*\*CONFIDENTIAL XXX END CONFIDENTIAL\*\*\*  
176 minutes. I did not take issue with this time because it was consistent with many of the  
177 recommendations that I made regarding additional time generally – recommendations

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<sup>9</sup> Lundy Rebuttal Testimony, Attachment DAL-2, "Bill of Costs" Worksheet, Row 1 (Paper Version – SBC Illinois did not provide an EXCEL version of this revised cost study to my knowledge). Emphasis added.

178 that Mr. Lundy has since incorporated (at least in part) into his revised cost study.<sup>10</sup>  
179 However, here Mr. Lundy has gone in the opposite direction without providing any  
180 supporting justification, other than to say that it is "more forward-looking." This is not  
181 sufficient. Please note that there is a similar task that the LFO-IN performs for which I  
182 have retained the additional time, as I understand that the LFO-IN would have to  
183 evaluate, at least in some measure, requirements for additional loops. However, the LOC  
184 is responsible for managing the service order through to the LFO-IN, and there is no  
185 basis for SBC Illinois' inclusion of this "additional" labor time. I would encourage the  
186 Commission to retain the previous value that SBC Illinois had for this task, which is  
187 currently contained in my restated Batch Hot Cut Cost Study.

188 **Q. IS THIS THE ONLY AREA WHERE SBC ILLINOIS INCREASED THE TIME**  
189 **FOR TASKS?**

190 **A.** No. There are others. However, these other tasks should not be included at all, as I  
191 discussed in my rebuttal testimony. As such, I have not modified my cost study because  
192 I have already eliminated the tasks in my study.

193 **Q. DID MR. LUNDY REDUCE ANY LABOR TIMES CONSISTENT WITH HIS**  
194 **TESTIMONY?**

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<sup>10</sup> Lundy Rebuttal Testimony, Attachment DAL-2, "Bill of Costs" Worksheet, Row 4 (Paper Version – SBC Illinois did not provide an EXCEL version of this revised cost study to my knowledge). Please note, for example, that SBC Illinois previously had \*\*\*CONFIDENTIAL XXX END CONFIDENTIAL\*\*\* minute of additional time for the "Send ticket to CO (pre-due date)" task. However, SBC Illinois has now reduced this time for the LOC, which again is focused on the order – not individual loops, down to \*\*\*CONFIDENTIAL XXX END CONFIDENTIAL\*\*\* minutes.

195 A. Yes he did. I have reviewed these modifications and while they are in the right direction,  
196 Mr. Lundy and I disagree on the specific times that should be used. Once again, my  
197 prior recommendations stand as they represents the appropriate forward-looking times  
198 for these tasks.

199 Q. ARE THERE ANY OTHER SIGNIFICANT CHANGES THAT YOU WOULD  
200 LIKE TO ADDRESS?

201 A. Yes. There is one last significant change. Previously, SBC Illinois had noted that the  
202 average number of lines per Frame Due Time (FDT) order was **\*\*\*CONFIDENTIAL**  
203 **XXX END CONFIDENTIAL\*\*\*** lines and the average number of lines per  
204 Coordinated Hot Cut (CHC) order was **\*\*\*CONFIDENTIAL XXX END**  
205 **CONFIDENTIAL\*\*\*** lines.<sup>11</sup> SBC Illinois' testimony provided absolutely no support  
206 for these values. However, when I reviewed them I did not take exception with them in  
207 my rebuttal testimony because they appeared to make some intuitive sense. I anticipated  
208 that it was likely that SBC Illinois would assume that perhaps the FDT process would be  
209 used for residential lines that might have something on the order of  
210 **\*\*\*CONFIDENTIAL XXX END CONFIDENTIAL\*\*\*** lines per order and the CHC  
211 process would be used for business lines that might have something on the order of  
212 **\*\*\*CONFIDENTIAL X END CONFIDENTIAL\*\*\*** lines per order. As such, while  
213 SBC Illinois did not support these values, I felt that they might have some reasonable  
214 basis. However, now SBC Illinois has established entirely new values for each that do  
215 not have any apparent basis in fact. Mr. Lundy provides no explanation whatsoever for

216           this change, much any less support for the underlying assumptions. Given that SBC  
217           Illinois has introduced a significant and completely undocumented change to its cost  
218           study, the Commission should reject this modification.

219   **Q.    DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

220   **A.    Yes, it does.**

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<sup>11</sup> Lundy Direct Testimony, "Attachment 1" Workbook, "Input" Worksheet, Cells B31-B32.